



2009-2010 Expenditures and Policy Issues

March 25, 2008





Calendar

March 25

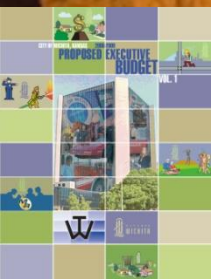
- Expenditures Background
- General Fund Projections
- Department Strategic Issues

April 1

- Department Strategic Issues

April 8

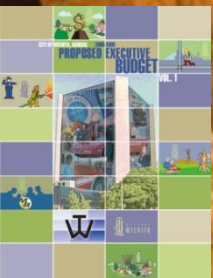
- Department Strategic Issues





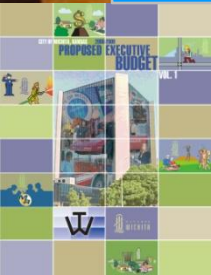
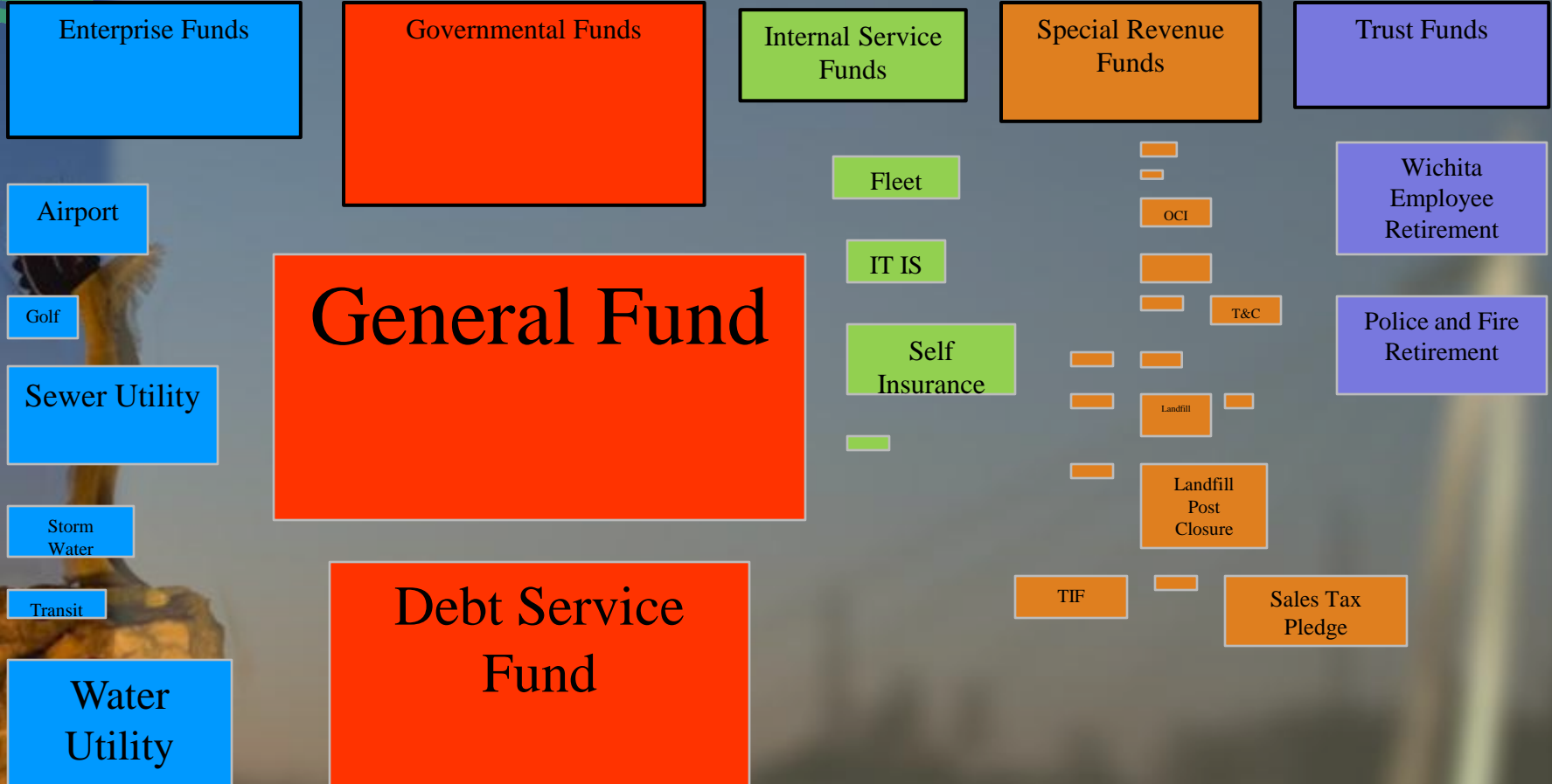
Overview of Key Points

- How and where funds are spent?
- How have past General Fund spending levels been sustained?
- Why many of these options will not be available in the future (2008 – 2012)
- What factors drive the long term General Fund forecast?





City Fund Structure



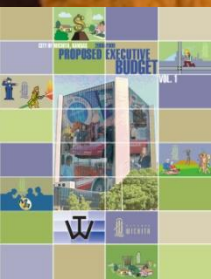
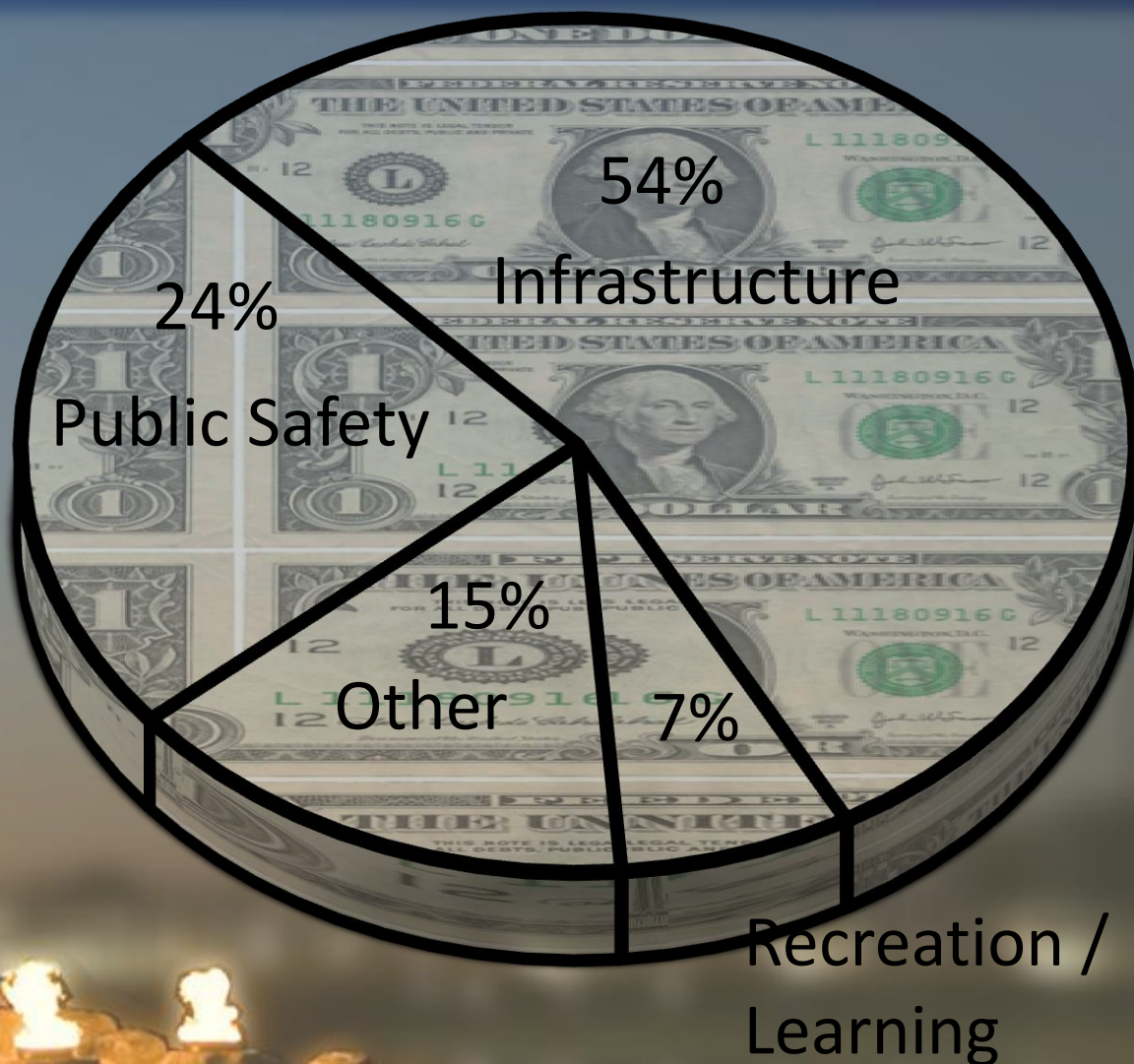


Of the remaining 20 percent,
approximately one half is spent on
Recreation and Learning



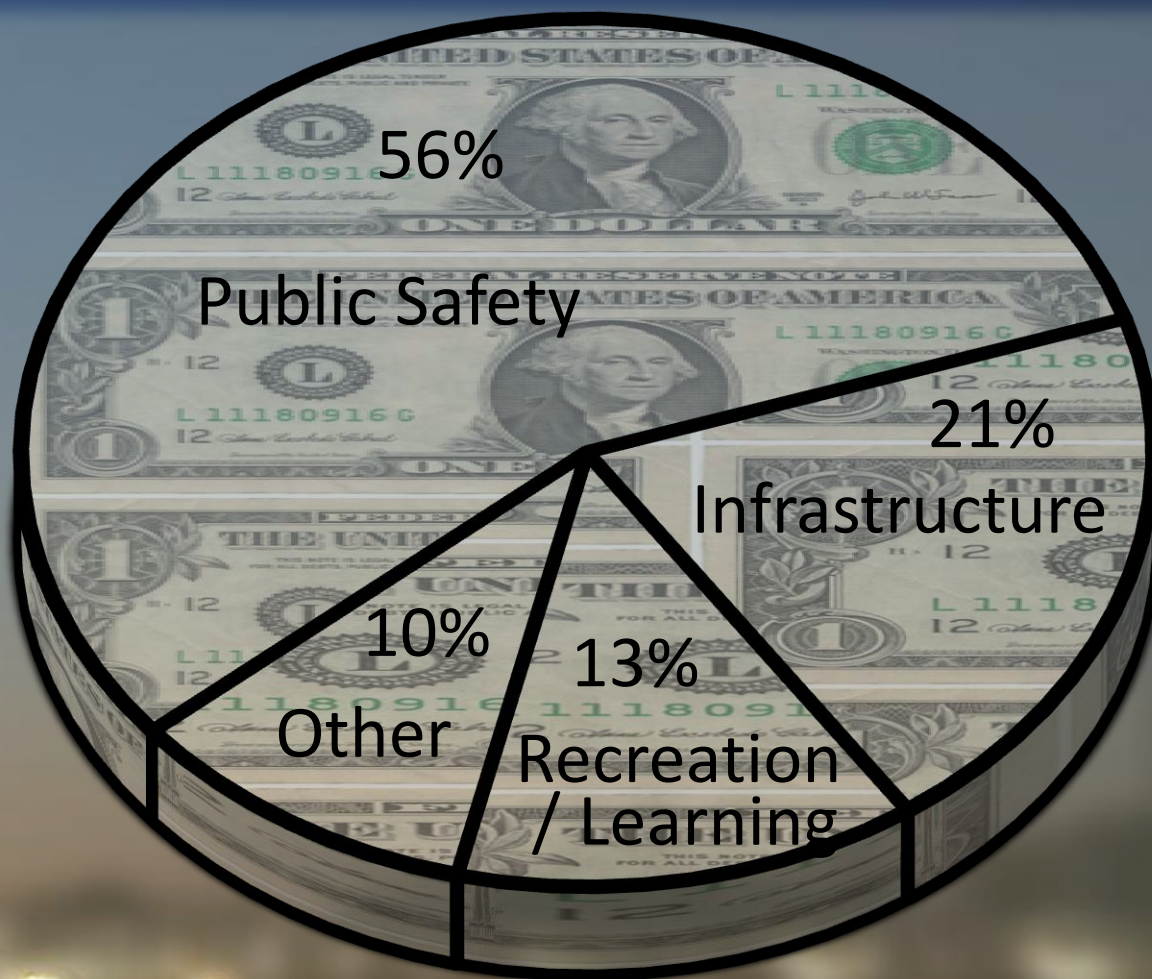


Expenditures by Area – All Funds





Expenditures by Area – General Fund



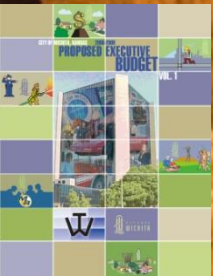


How does the City Spend?

Four out of five dollars are spent on either wages or debt service

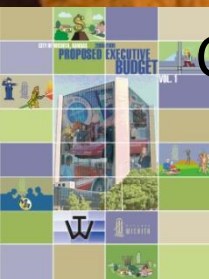
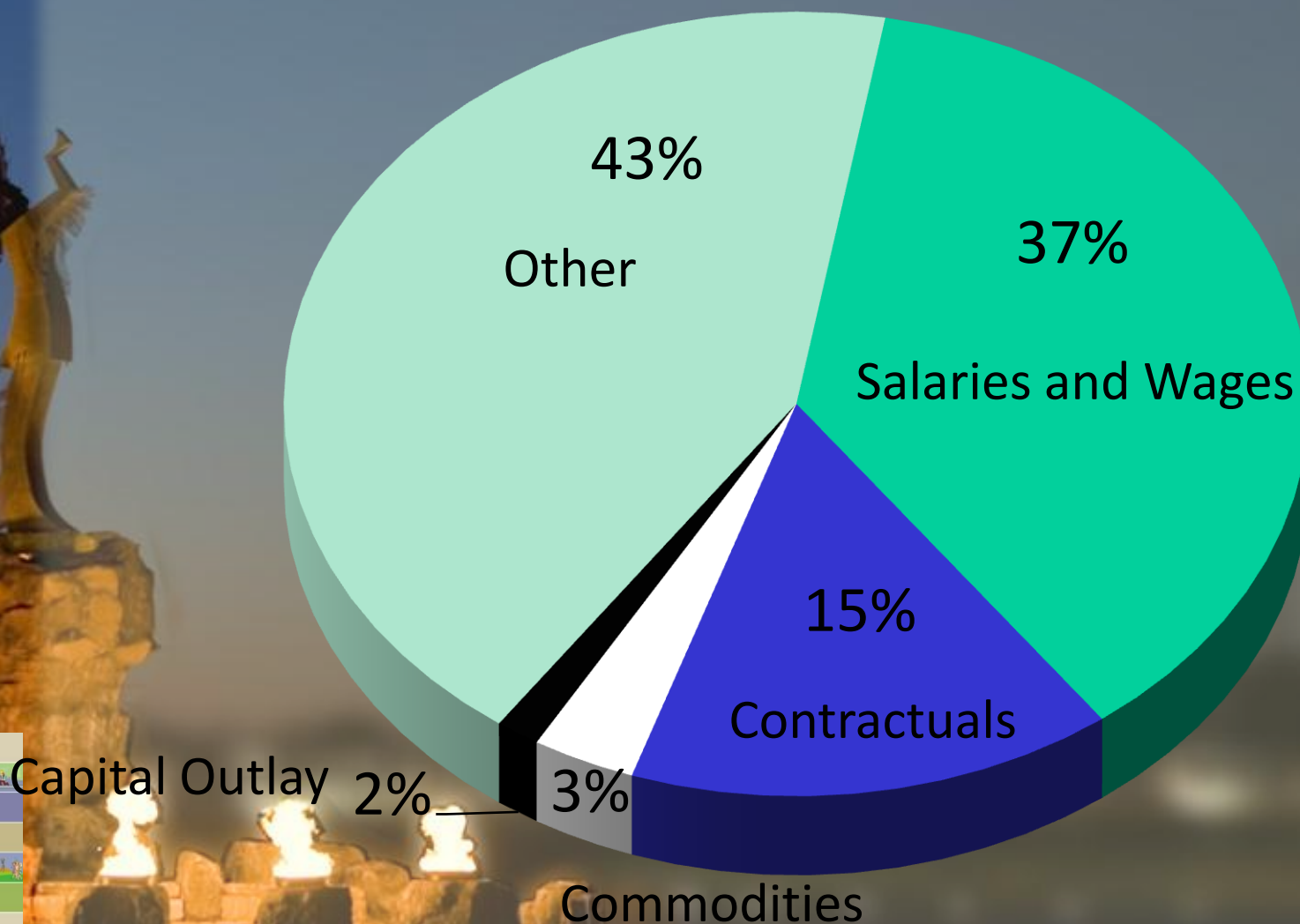
Salary and wages are a significant General Fund expense (71%)

Debt Service is a significant expense from all funds (43%)



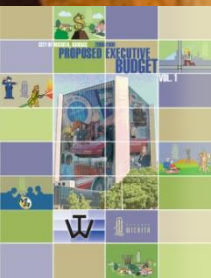
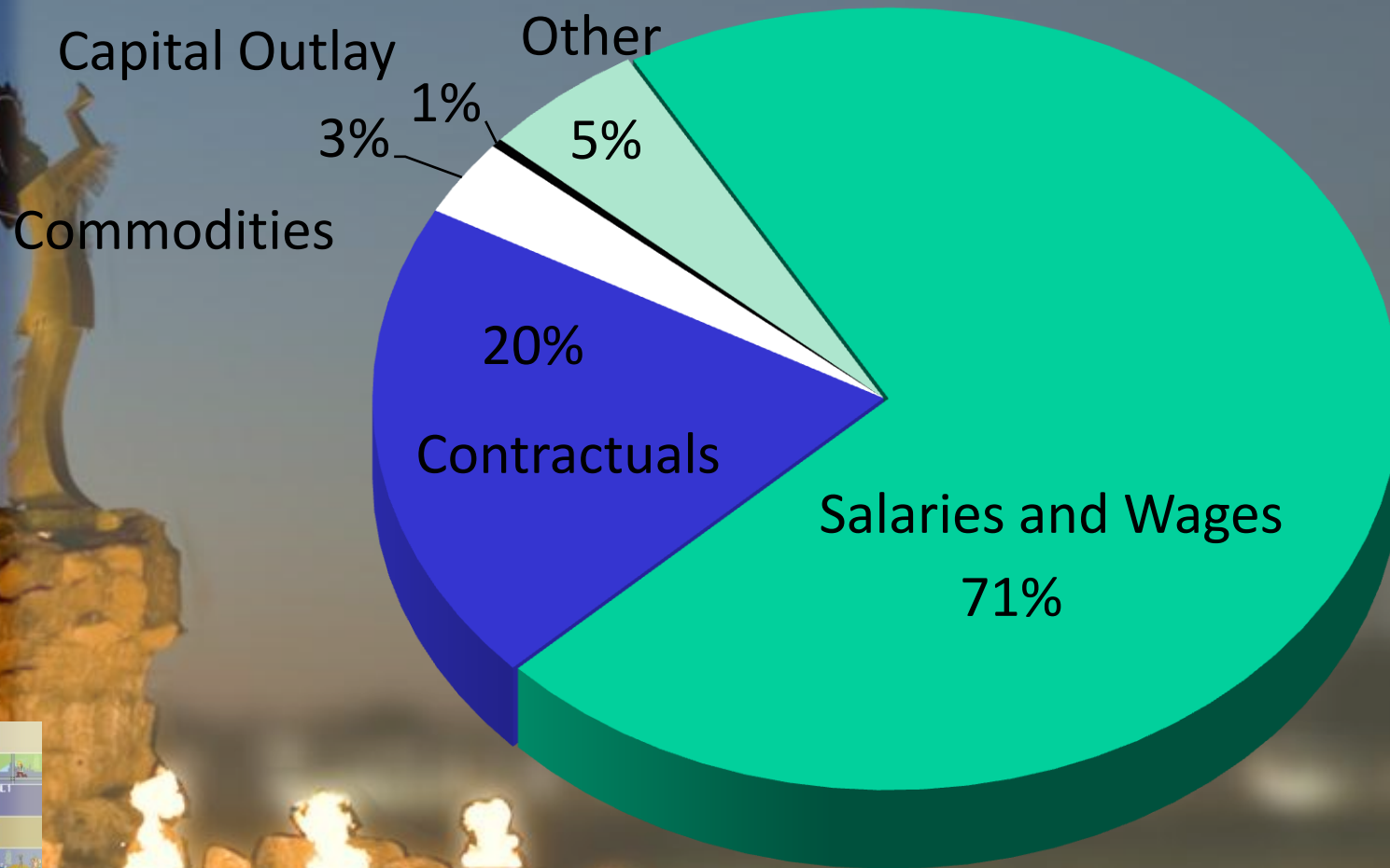


Expenditures by Type – All Funds





Expenditures by Type – General Fund





Growth in General Fund Revenues and Expenditures 2000 - 2007

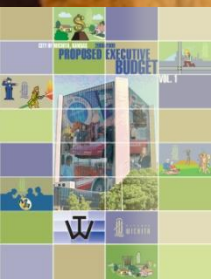
Year	Revenue	% Change	Expenditures	% Change	Balance	% of Exp
2000	\$145.9	5.5%	\$145.9	5.0%	\$18.9	13.0%
2001	\$151.1	3.6%	\$148.0	1.4%	\$23.2	15.7%
2002	\$149.8	(0.9%)	\$152.0	2.7%	\$21.1	13.9%
2003	\$150.2	0.3%	\$150.5	(1.0%)	\$20.8	13.8%
2004	\$162.4	8.1%	\$161.1	7.0%	\$22.0	13.7%
2005	\$169.7	4.5%	\$168.8	4.8%	\$22.9	13.6%
2006	\$178.2	5.0%	\$178.0	5.5%	\$23.0	13.0%
2007	\$188.2	5.6%	\$188.2	5.7%	\$23.0	12.2%

Figures in millions of dollars



Annual Growth in General Fund Expenditures (2001 – 2007)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total growth</u> <u>2000-07</u>
Fire	3.4%	5.6%	1.5%	10.4%	3.9%	7.7%	7.0%	46.6%
Police	1.8%	6.2%	3.2%	8.4%	4.9%	7.7%	6.4%	45.5%
Law	10.9%	2.8%	-1.0%	0.4%	6.0%	6.2%	10.4%	41.1%
Court	1.5%	3.3%	0.2%	1.7%	14.0%	7.2%	2.0%	33.3%





Annual Growth in General Fund Expenditures (2001 – 2007)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total growth</u> <u>2000-07</u>
Cultural Arts	15.9%	14.8%	21.9%	6.2%	4.6%	49.6%	20.2%	224.0%
Fire	3.4%	5.6%	1.5%	10.4%	3.9%	7.7%	7.0%	46.6%
Police	1.8%	6.2%	3.2%	8.4%	4.9%	7.7%	6.4%	45.5%
Human Resources	5.8%	6.5%	5.1%	-3.6%	18.2%	2.8%	2.4%	42.0%
Law	10.9%	2.8%	-1.0%	0.4%	6.0%	6.2%	10.4%	41.1%
City Manager Office	9.6%	7.7%	-22.1%	-5.0%	38.1%	9.2%	6.4%	40.1%
Court	1.5%	3.3%	0.2%	1.7%	14.0%	7.2%	2.0%	33.3%
Public Works	2.5%	5.5%	0.4%	5.5%	5.8%	3.3%	5.5%	32.0%
Library	4.4%	5.3%	1.9%	8.1%	2.4%	4.4%	1.3%	31.1%
General Fund Growth	1.4%	2.7%	-1.0%	7.0%	4.8%	5.4%	5.7%	28.9%





Annual Growth in General Fund Expenditures (2001 – 2007)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Total growth</u> <u>2000-07</u>
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Police	1.8%	6.2%	3.2%	8.4%	4.9%	7.7%	6.4%	45.5%
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General Fund Growth	1.4%	2.7%	-1.0%	7.0%	4.8%	5.4%	5.7%	28.9%
En. Serv.	6.6%	10.1%	-3.5%	-16.5%	11.1%	8.8%	9.8%	25.5%
Park	4.4%	5.9%	-8.1%	9.9%	-1.5%	2.5%	5.8%	19.3%
Finance	5.3%	1.9%	-8.2%	-0.6%	4.1%	10.3%	3.5%	16.2%





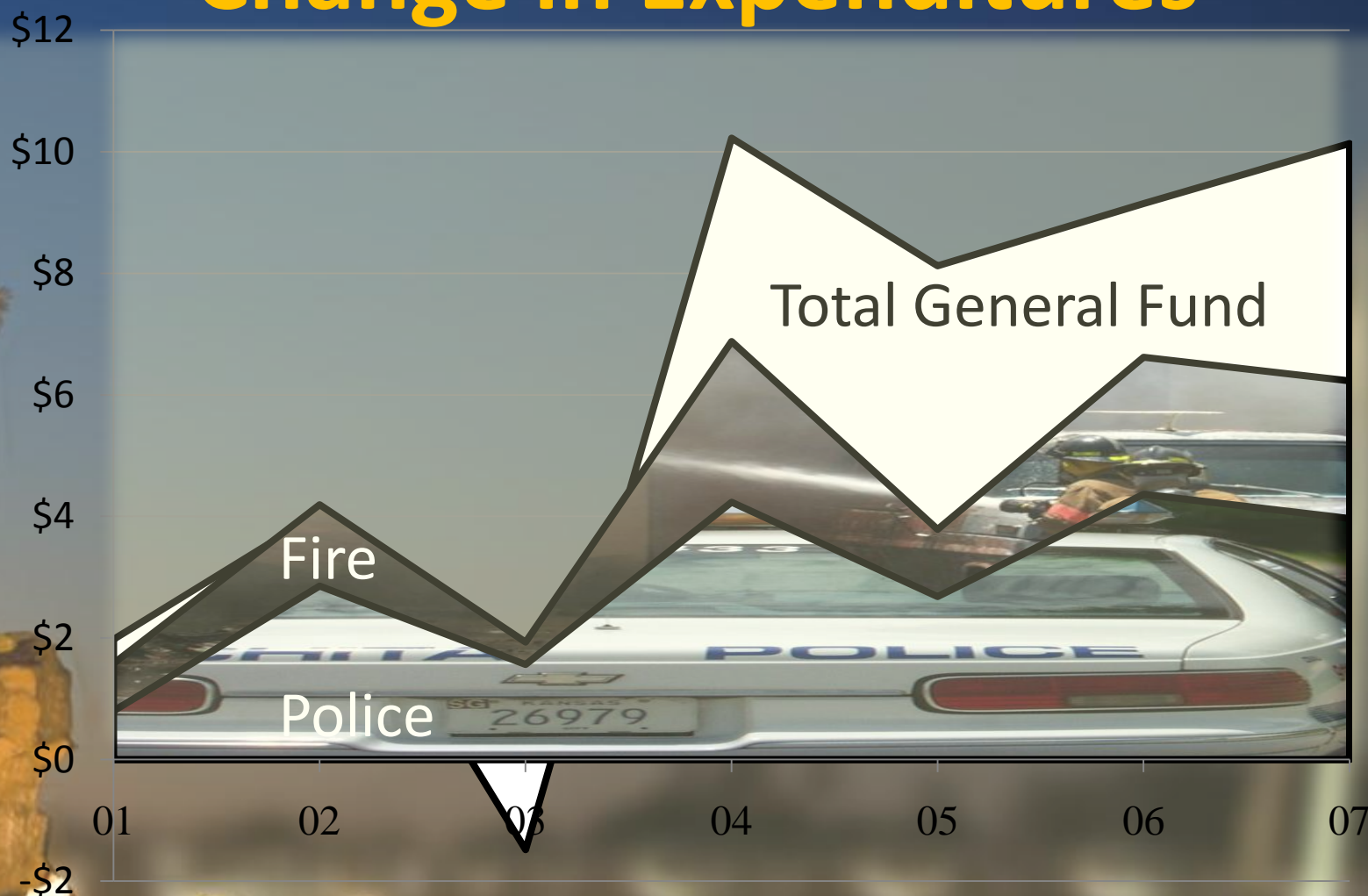
General Fund – Total Dollar Growth From 2000-2007

Total GF increase	\$42.2 million
Police increase	(\$20.5 million)
Fire increase	(\$10.8 million)
Cultural Arts increase	<u>(\$1.8 million)</u>
Everything else (net)	\$9.1 million





General Fund Annual Net Change in Expenditures



Figures in millions of dollars





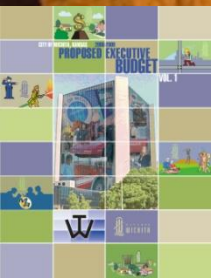
General Fund Expenditure Growth Since 1992

Since 1992

Fire – budget has increased \$15.4 million (85%)
– 6 new stations, 62 new positions

Police – budget has increased \$37.9 million
(138%) – 196 new positions

Everything else – budget has increased \$27.7
million (50%)





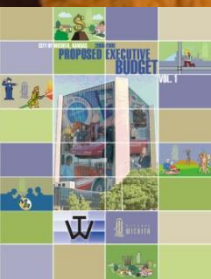
Police Position Growth 1992 – 2007 (General Fund)





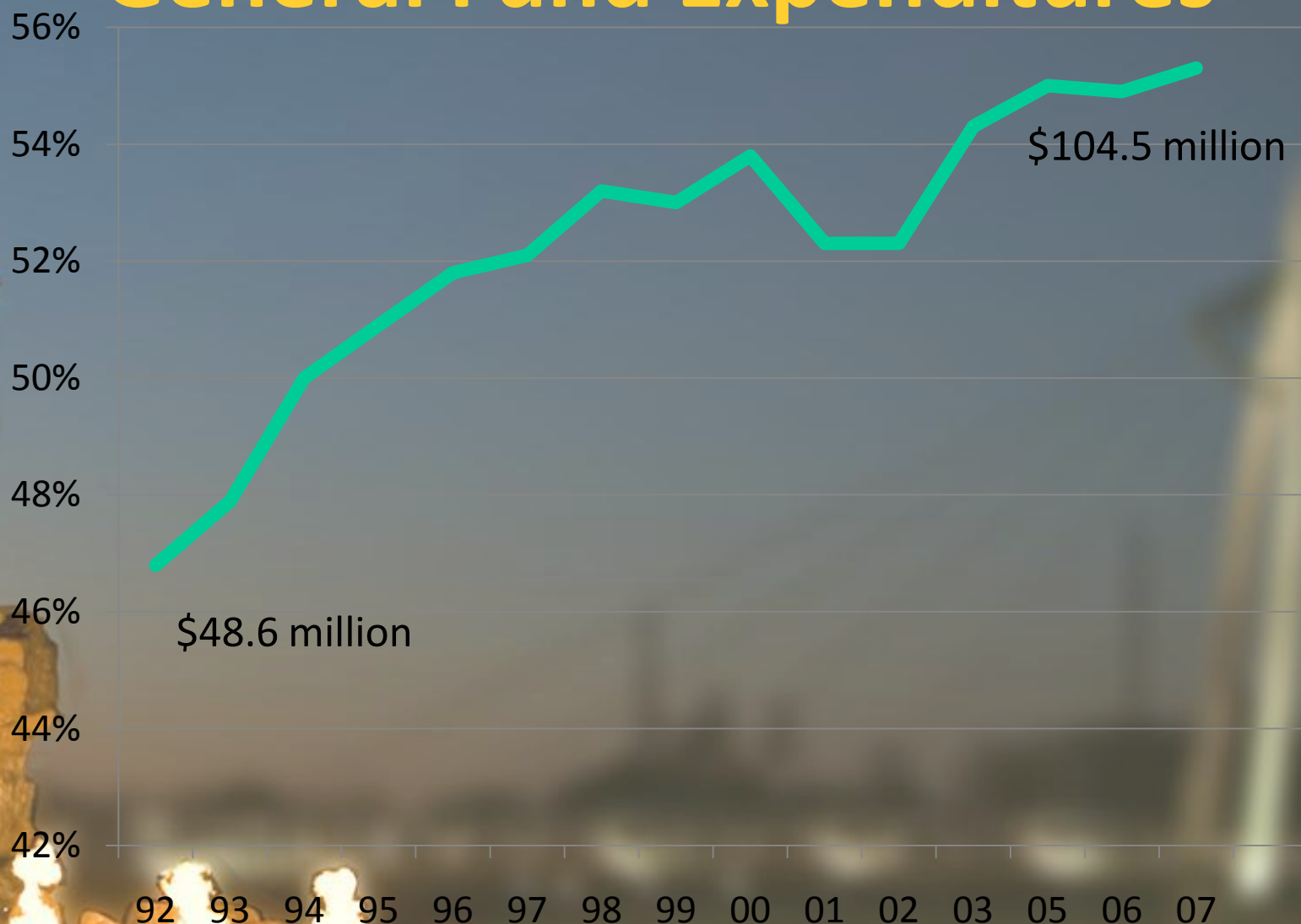
Fire Position Growth

1992 – 2007 (General Fund)





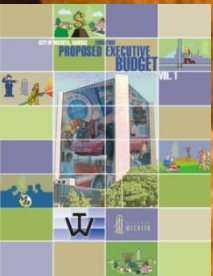
Public Safety as a Percent of General Fund Expenditures





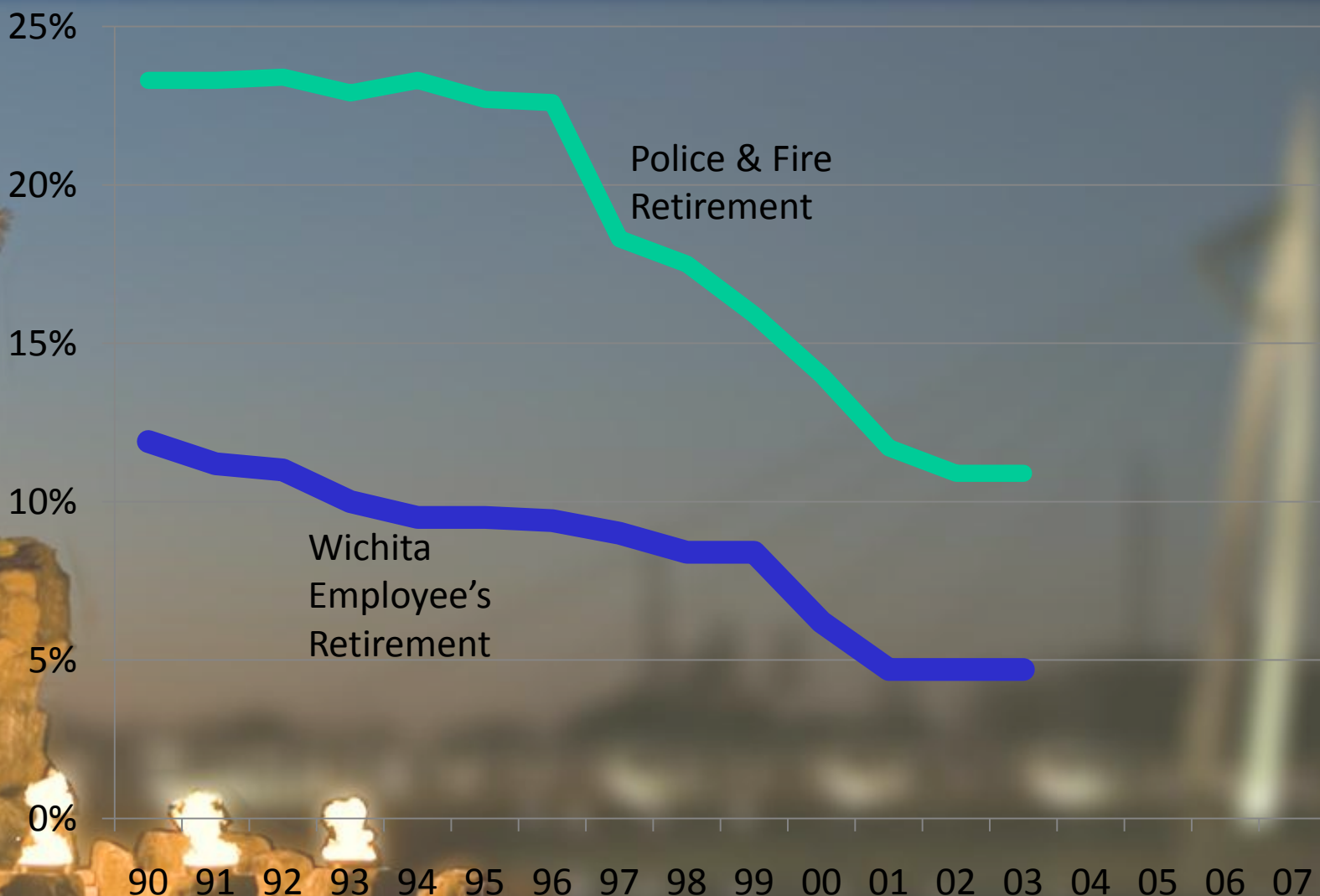
How did the City sustain Public Safety growth from 2000 - 2007?

- Shifted base pay emphasis
- Decreased pension cost
- Experienced stable fuel pricing
- Eliminated transfers
- Increased efficiencies / reduced expenditures



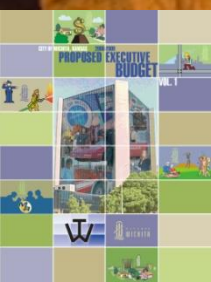
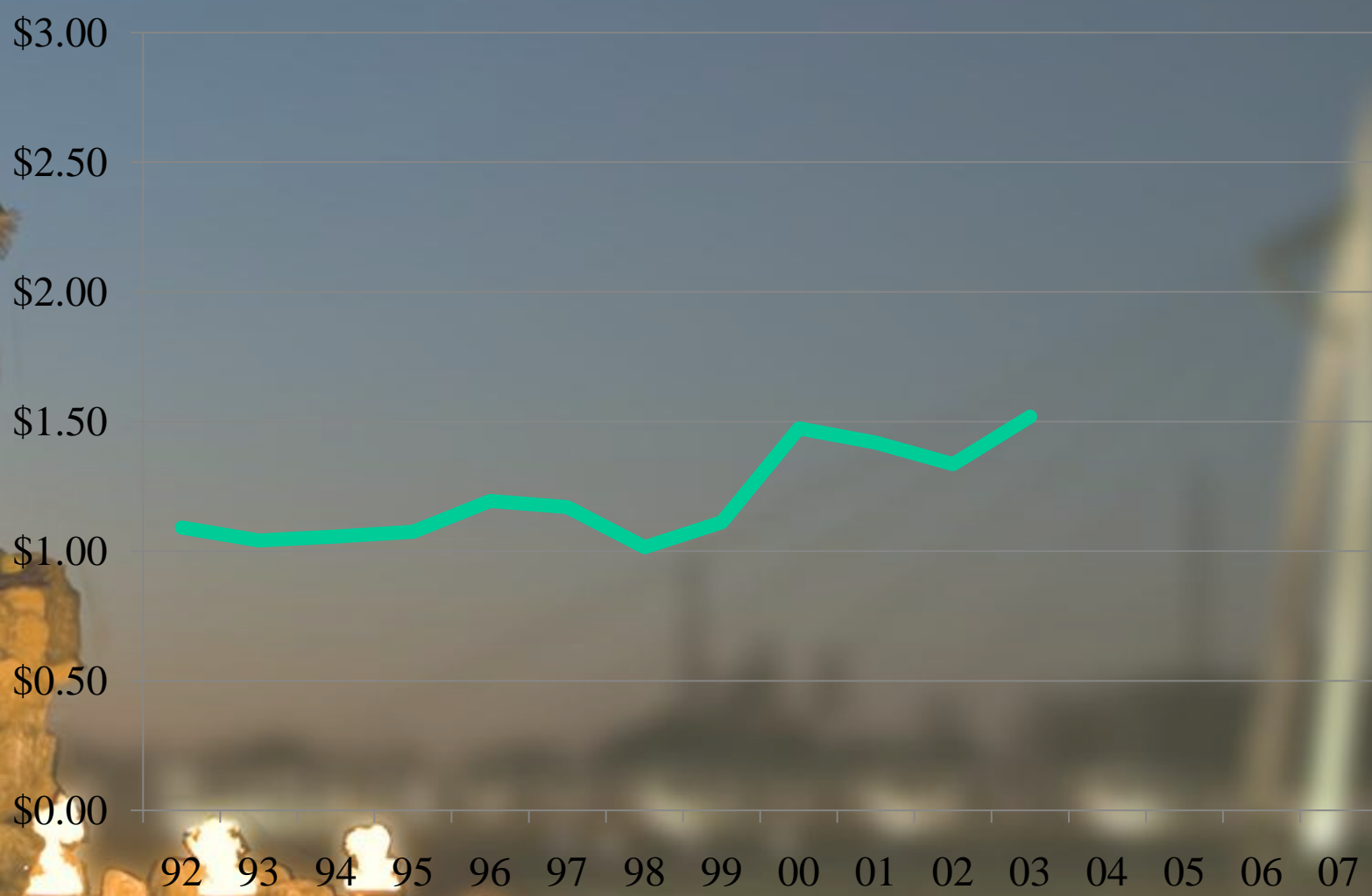


City Retirement Contributions as a Percent of Salary (1990 – 2003)





Price Per Gallon of Gasoline (1992 – 2003)



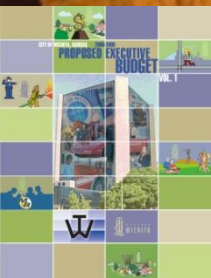


Expenditures that were Controlled or Reduced 2000 - 2007

Flattened utility growth - \$6.3 vs. \$6.5 million
Reduced Printing/Office supplies - \$1.8 vs. 1.6 million

Eliminated Storm Water subsidy	\$514,500
Reduced Tort Claims transfer	\$364,050
Reduced Reforestation	\$200,000

Eliminated staff with automation or equipment





Elimination of Budgeted Transfers to Capital Projects

In the past, the General Fund was budgeted to transfer cash to a variety of capital projects

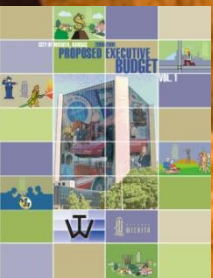
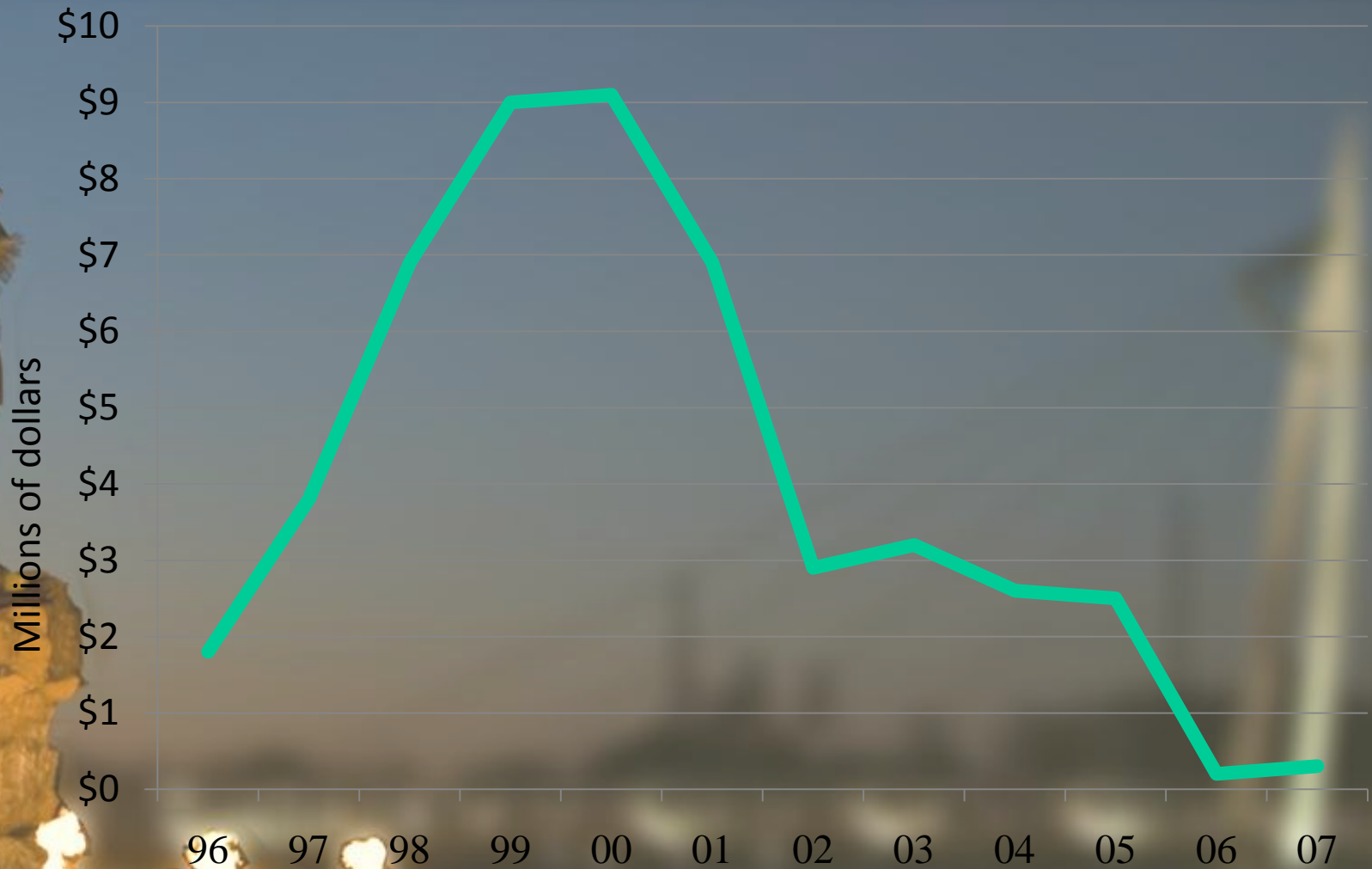
These amounts were budgeted as “transfers out” of the General Fund

These amounts were generally one-time in nature

These amounts were curtailed beginning in 2001, virtually eliminated by 2006



Budgeted Transfers From the General Fund to Capital Projects





Examples of General Fund Revenues Transferred Primarily to Capital Projects – 1996 - 2007

- \$4.8m enhanced building maintenance
- \$4.8m enhanced street maintenance
- \$2.3m Fire station land
- \$1.1m Fire equipment
- \$1m Park playground equipment
- \$3m City Hall remodeling
- \$.825 Cowtown Visitor's Center



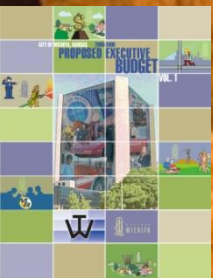


Recap of the General Fund 2000 - 2007

Public Safety grew consistently

Growth was possible by:

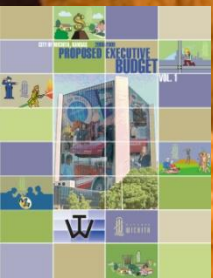
- eliminating budgeted transfers to projects
- benefiting from new wage matrices, lower pension costs
- implementing technology/efficiency improvements





Will the Circumstances of 2000 – 2007 Continue in the Future?

- Wages are expected to increase
 - Pension costs increases
 - Health costs are rising
- Fuel is volatile
- Budgeted amounts for transfers are no longer



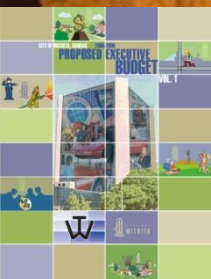


Health Insurance Costs

Since 2000 total cost of health insurance (GF) has doubled (\$6.1 million to \$13.6 million)

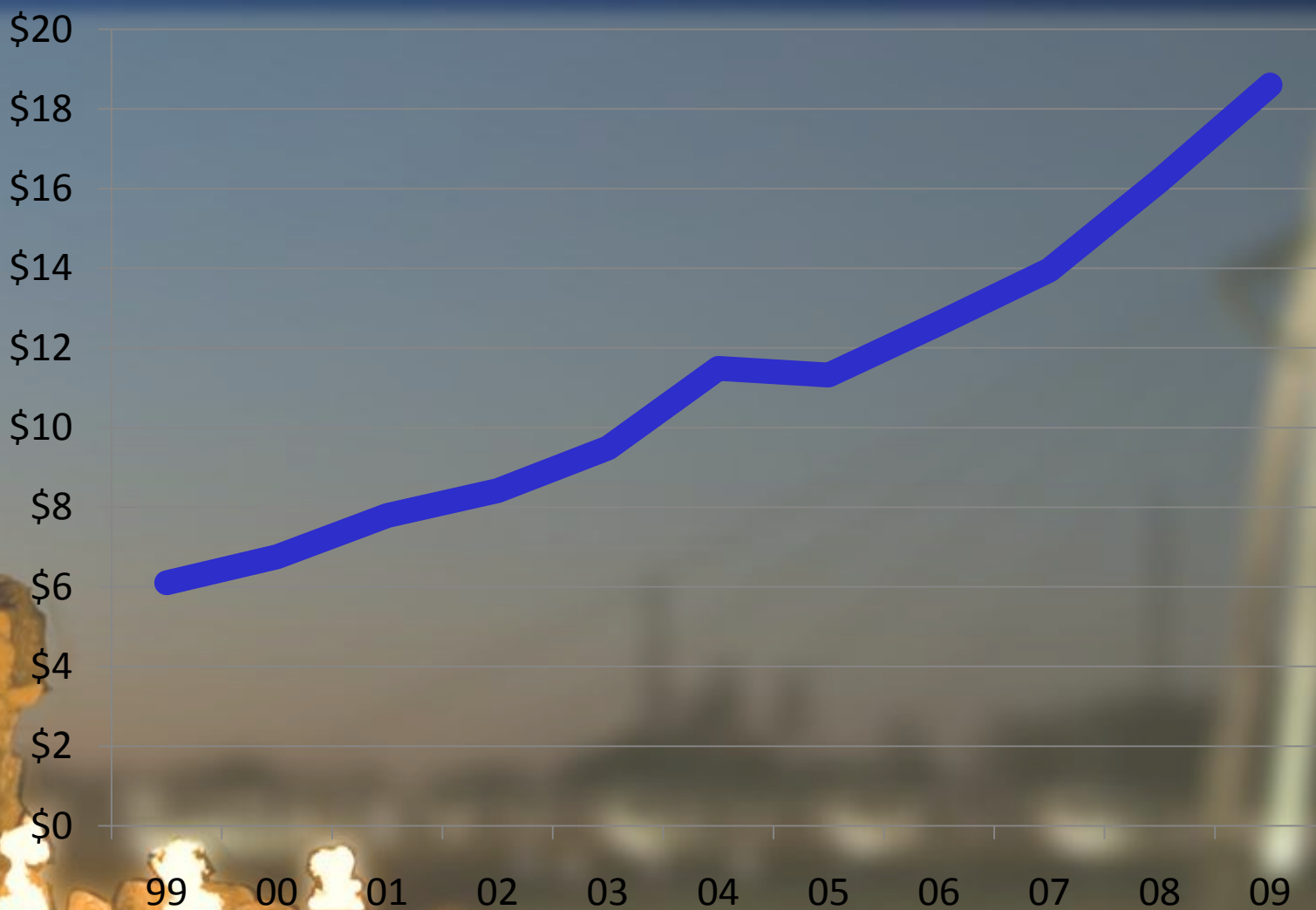
Health Insurance consumes an increasing share of GF expenditures (4.6% in 2000; 7.4% in 2007).

Current projections assume 10 – 15% increases; downside potential





Health Insurance Expenditures General Fund 2000 - 2007

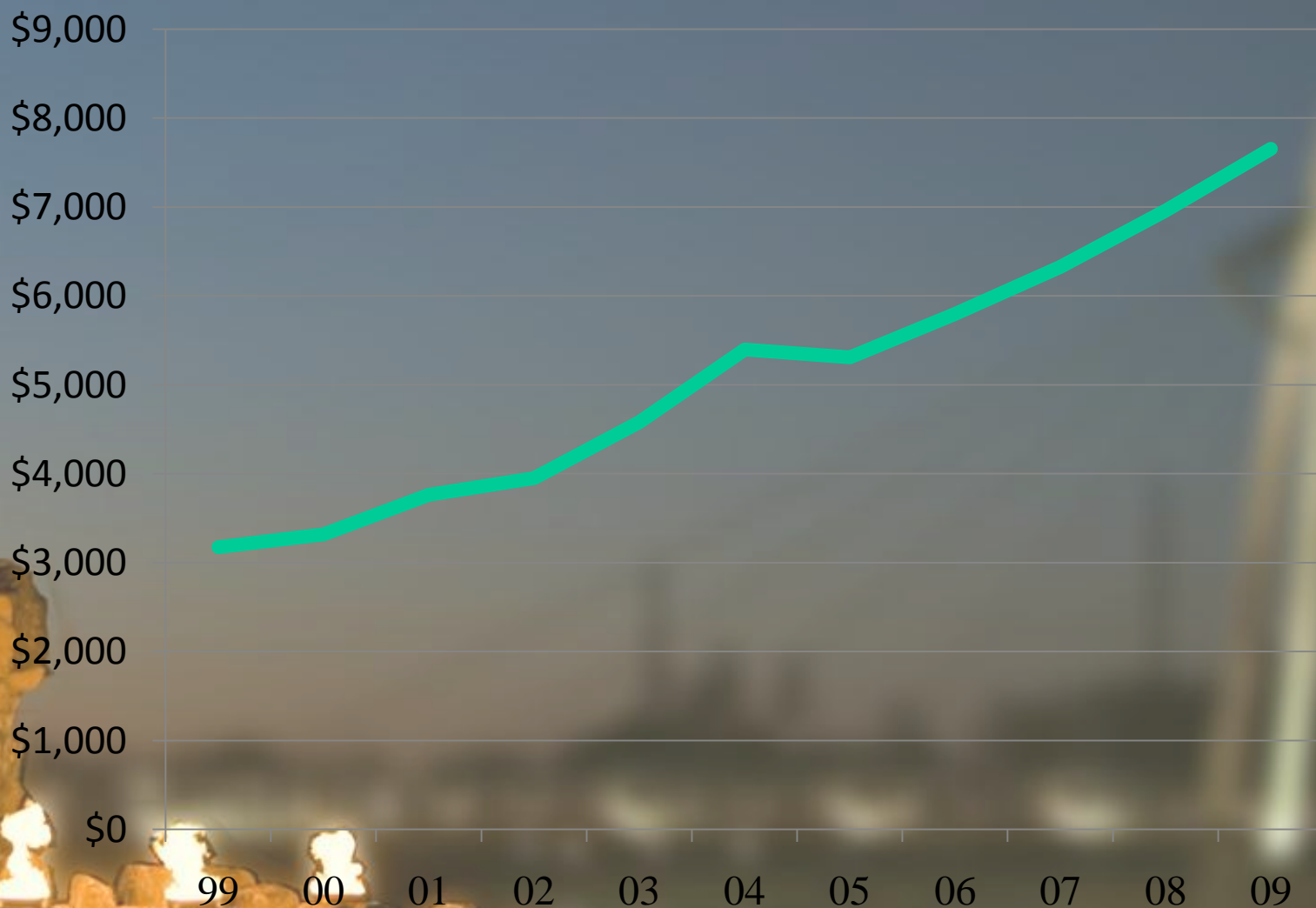


Figures in millions of dollars





Health Insurance Cost per Employee



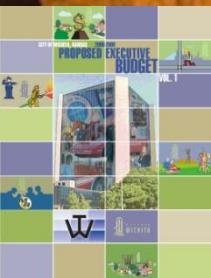


City Pension Expenditures

Cost per employee was declining

Since 2003, WER (civilian retirement system) has been flat, but WP&F (police and fire retirement system) has began rising

Both pension system are fully funded; but contribution rates are more likely to trend up (rather than down) in the future





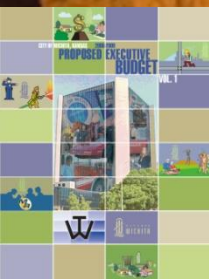
City Retirement Contributions as a percentage of wages





Pension Cost Trends (1999 – 2007)

Cost per employee



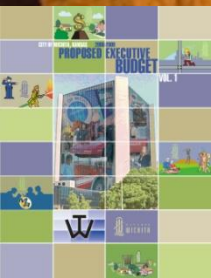


City Fuel Expenditures

Total City fuel expenses have tripled since 2000 (from \$1.5 million to \$4.5 million)

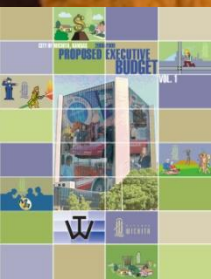
General Fund vehicle costs have increased \$2.6 million (from \$5.4 million to \$8 million)

Future projections have not anticipated significant continued increases in fuel costs



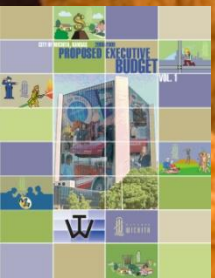
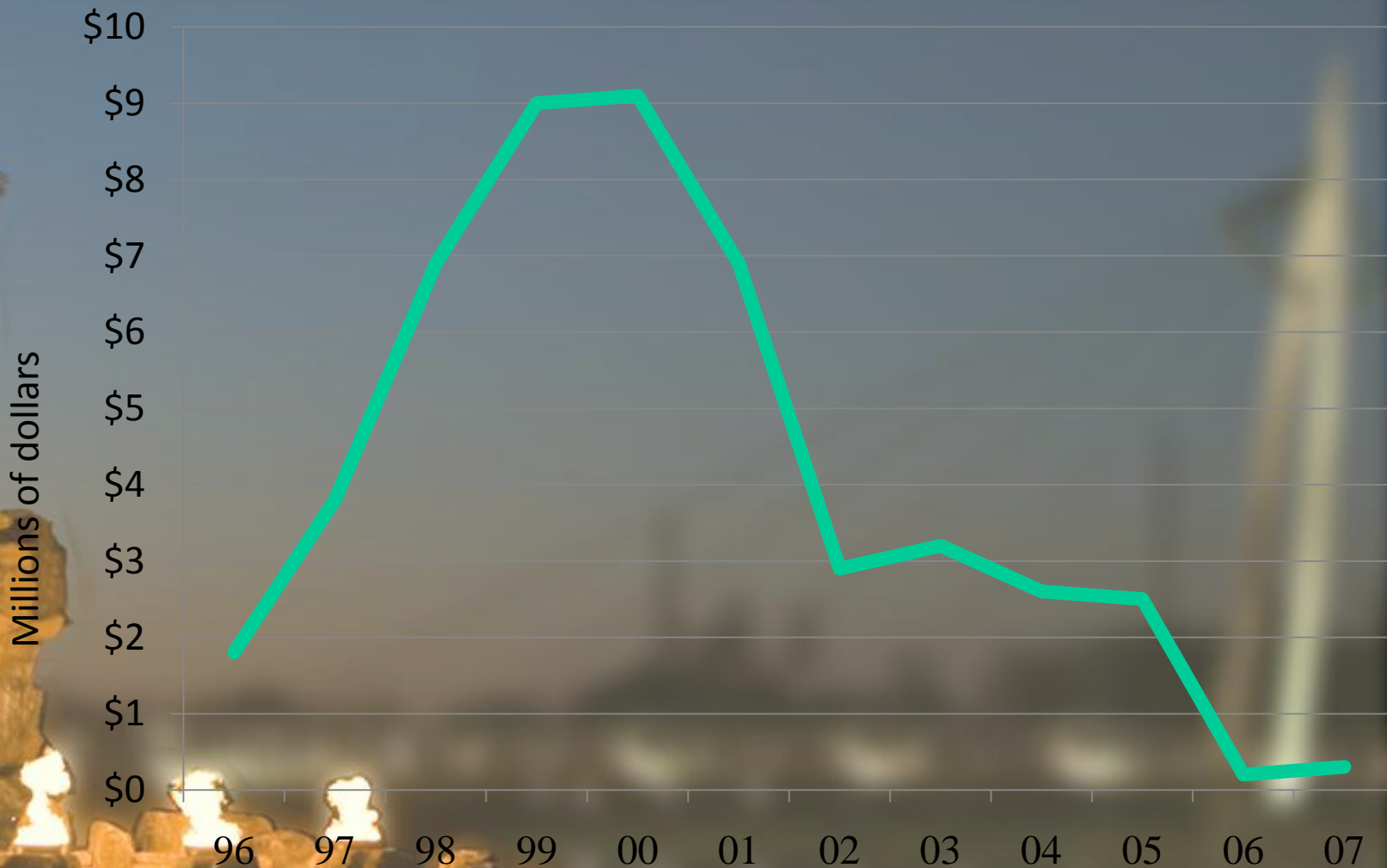


Price per Gallon of Gasoline (1992 – 2007)





Budgeted Transfers From the General Fund to Capital Projects





Controlling or Reducing Expenditures

Staff continue to search for opportunities to reduce staffing needs with automation or equipment

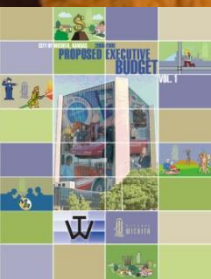
Investing in new LED (light emitting diodes) lighting for street signals – saving \$250,000 annually





Recap of expenditure issues in the future (2008 – 2012)

- Expect pension costs to stay flat or increase
- Expect (hope for) potential savings in health insurance costs
- Anticipate continued historically high fuel costs
- Continue to seek efficiencies
- Don't expect savings from budgeted General Fund transfers





Recap of expenditures issues in the future (2008 – 2012)

- Allocate funding for additional known commitments:

- Cowtown - \$1.6 million

- Anticipate uncertainty regarding potential costs:

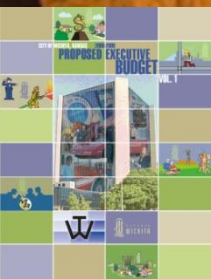
- Jail fees - \$3 million?

- Medical cost for prisoners - \$250,000 ?

- Union contracts beginning in 2010

- Pension costs in 2009

- Fuel costs



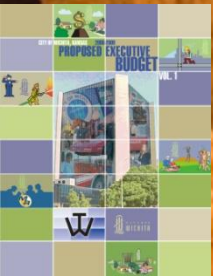


Break





General Fund Projections





What Key Assumptions Drive the General Fund Forecast?

- No change in current policies or service levels
- Salary and Wage Assumptions
(Wages are 71% of the General Fund)





Employee Turnover (Shrinkage) Explained

- Budget is based initially on budgeting 100 percent funding for all authorized positions
- All authorized positions will never be filled the entire year; programs may not be implemented as quickly as budgeted
- A “planned savings” or “shrinkage” adjustment is budgeted to account for this





Shrinkage Analysis 2000 - 2012

Year	Shrinkage	Percent of Expenditures
2000	-1,354,695	0.9%
2001	-1,720,098	1.1%
2002	-1,636,628	1.0%
2003	-1,131,636	0.7%
2004	-2,190,466	1.4%
2005	-3,155,522	1.9%
2006	-3,144,917	1.8%
2007	-2,940,880	1.6%
2008	-5,347,340	2.7%
2009	-6,463,830	3.2%
2010	-7,963,830	3.8%
2011	-7,963,830	3.7%
2012	-7,963,830	3.5%





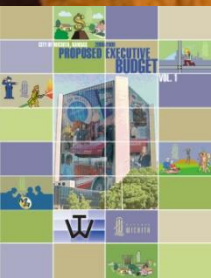
Drivers of Employee Benefit Expenditures

Pension

- Based annual actuarial review, in accordance with State statute
- Affected by investment experience, wage growth, demographic considerations

Health insurance

- Based on policy and contractual (union) considerations
- Affected by medical cost inflation, plan design, employee utilization





Employee Benefit Expenditure Analysis 2000 – 2012

Millions of dollars

Year	Health	Growth	Pension	Growth
2000	6.7	10%	7.9	(5%)
2001	7.8	16%	7.5	(5%)
2002	8.4	7%	7.2	(4%)
2003	9.5	13%	7.6	5%
2004	11.5	21%	8.3	9%
2005	11.3	(1.8%)	9.8	18%
2006	12.6	12%	11.4	16%
2007	14.0	11%	12.1	6%
2008	16.2	15%	13.0	7%
2009	18.6	10%	13.6	5%
2010	20.5	10%	14.3	5%
2011	22.5	10%	15.0	5%
2012	24.8	10%	15.7	5%





Drivers of Salary and Wage Expenditures

- Union wage agreements
- Employee demographics
- Additions / Subtractions of staff





Total Salary and Wage Expenditure Analysis 2000 - 2012

Millions of dollars

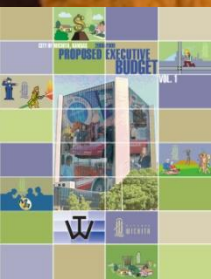
Year	Wages	Growth
2000	93.8	7.1%
2001	98.0	4.5%
2002	103.5	5.6%
2003	105.9	2.3%
2004	112.4	6.1%
2005	116.8	3.9%
2006	125.4	7.4%
2007	134.6	7.4%
2008	140.2	4.1%
2009	146.7	4.7%
2010	153.5	4.7%
2011	160.7	4.7%
2012	168.3	4.7%





General Fund Outlook

- Revenues approximately \$1.1 million higher
- Expenditures approximately \$1.6 million higher
- Assumes all current levels of activity, with no mill levy change
- Declining fund balance during the planning period (2008 – 2012)





Why the Forecast Will Probably Never Be Correct

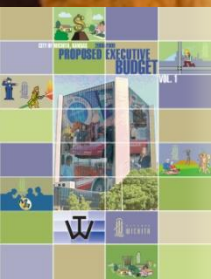
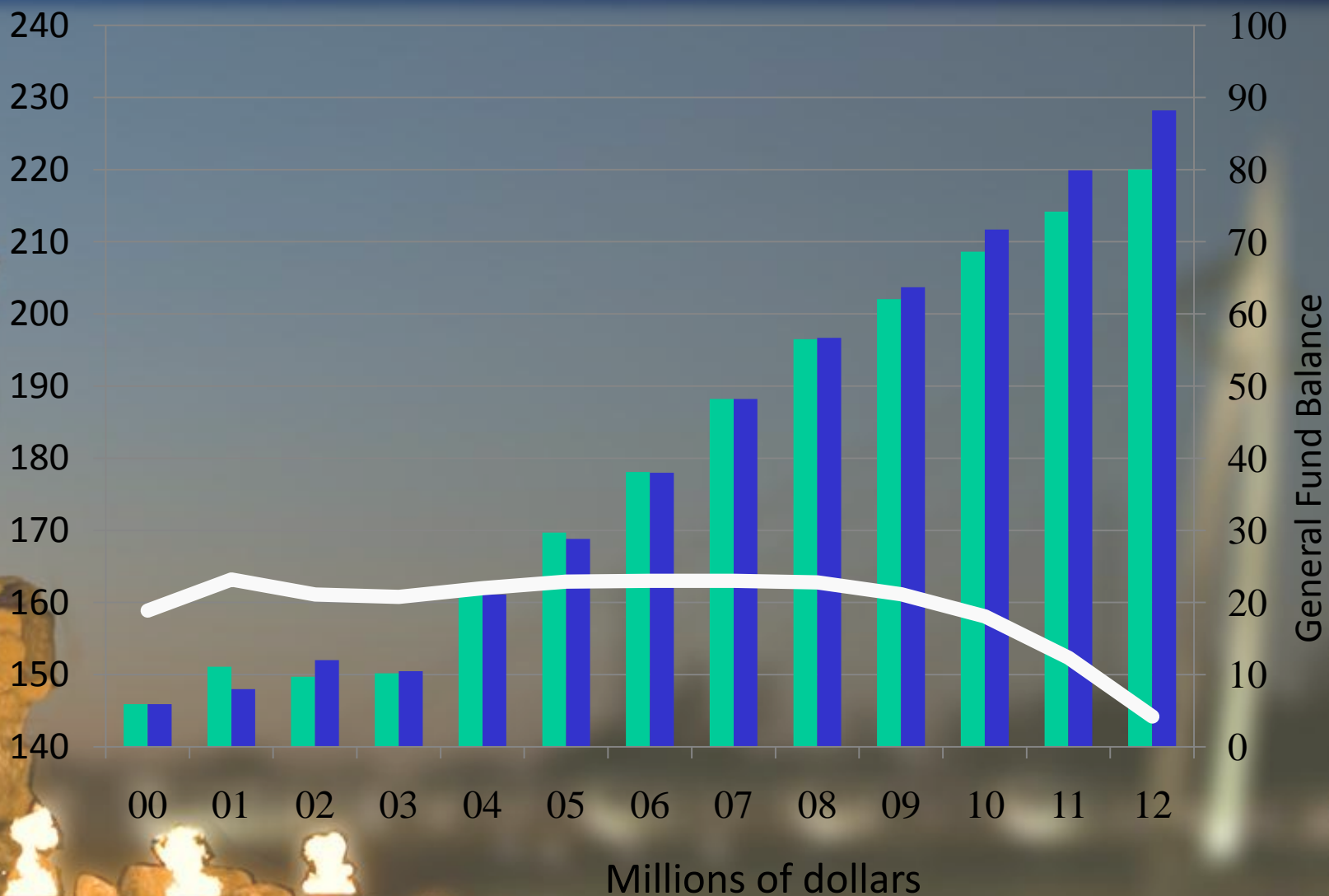
- Forecast is only a “best guess” based on current policies and assumptions
- Forecast will be impacted by Council decisions made over the next five years
- Forecast is only intended to stimulate discussion





General Fund – 2008 - 2012

Expenditures / Revenues





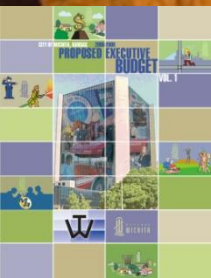
What can change the outlook?

Environmental

- Change in economic outlook
- Change in State / Federal policies

Salary and Wage Assumptions

- Turnover (shrinkage) assumptions
- Health and pension costs
- Wage increase assumptions

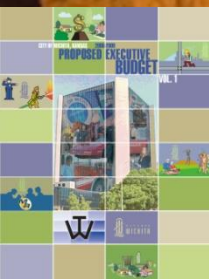




What can change the outlook?

Council Policy

- Re-balancing revenue portfolio
- Elimination / addition of current programs
- Mill levy allocation (10 mills to debt service)
- Mill levy dedication (cultural arts)
- Annexation
- Revenue rates





Additional Discussion

